



NORTH CAROLINA
DEPARTMENT OF
**CULTURAL
RESOURCES**

General Government Appropriations Sub-Committee –
Business Plan Review

DEPARTMENT OF CULTURAL RESOURCES

In 2012, legislation requested the development of three 5-year business plans for DCR sites

GS 121-7.7, Section 18.3

Required DCR to develop comprehensive 5-year plan for

1. **Tryon Palace**
2. **NC Transportation Museum**

Required Roanoke Island Commission (RIC) to develop 5-year plan for

3. Properties under administration of DCR on Roanoke Island



1 **Business Plans components:**

- Include revenue & expenditure projections
- Propose reductions in expenditures
- Develop non-State sources of funding
- Include feasibility of privatization

Executive Summary



- Long-term Vision
 - Sustain a Private/Public Partnership relationship
 - Maintain state appropriations for fixed costs
 - Facilitate for ongoing support



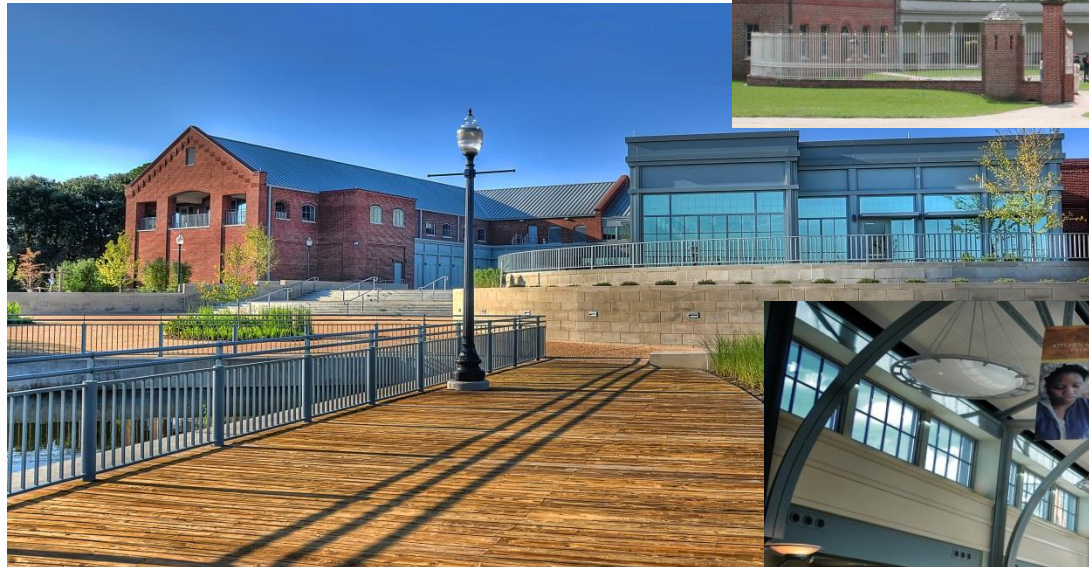
- Accomplishments to date
 - Share Progress Report



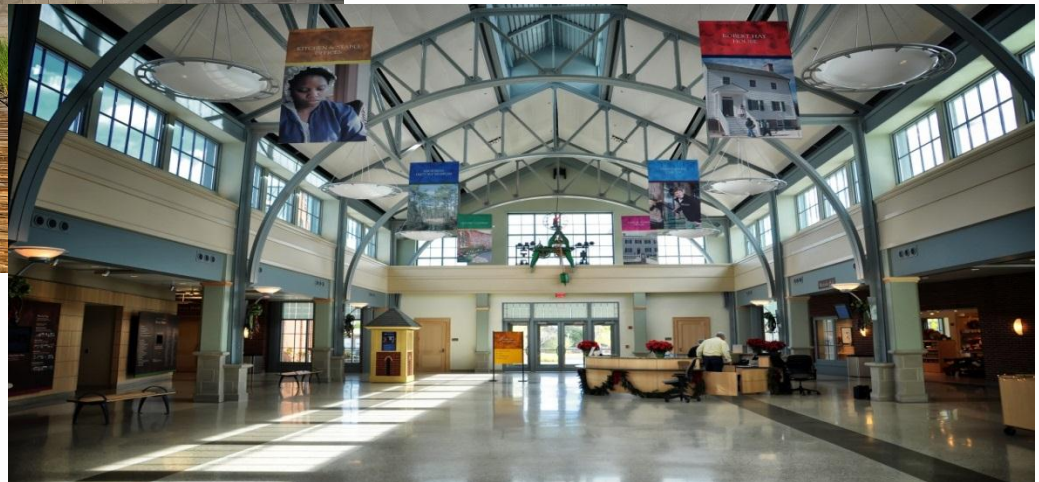
- Next Steps
 - Conduct Strategic Work Sessions
 - Strengthen Memorandum of Agreement (MoA) as appropriate
 - Create Implementation Plans

Tryon Palace

- Includes Historic Sites and Gardens to tell NC history of early settlement years and ties to the English through the mid-twentieth century located in New Bern, NC
- Served as the first NC capital and home to Tryon family and the site of the first General Assembly and housed State Governors until 1794







- Introduced new facility in 2011 that provides a relevant, interactive, Pepsico museum to offer NC history in the new world
- 180K visitation



Reflects the North
Carolina heritage
and historical
beginnings

Tryon Palace business plan addressed the components requested

1 Objectives	Summary of Responses
 Include revenue & expenditure projections	<div> REVENUE increased assumptions <ul style="list-style-type: none"> • Admissions – pricing changes • Retail sales – enhanced efforts • Café – rental growth • Fundraising – focused effort • Educational Programs – offers value • Membership - promotions </div> <div> EXPENSES – increased assumptions <ul style="list-style-type: none"> • Staffing – to cover more programs • Exhibits – to offer more value • Educational Programs – to offer more value • Marketing – to promote site </div>
 Propose reductions in expenditures	<p>The 5 year business plan acknowledges a reduction in state appropriations. However, with the the need to increase programing, exhibits, fund raising and marketing efforts in order to grow revenue, the expenditures do not decline. Over the last few years, the appropriation has been significantly reduced so any additional reductions would result in a negative impact to the overall experienced offered.</p>
 Develop non-State sources of funding	<p>Friends Support Corporate Sponsorship Rental income from Weddings, Corporate Events, Corporate Sponsorship, Performances/Movies, Photography</p>
 Include feasibility of privatization	<p>DCR and Tryon Palace recognize that the likelihood of total privatization of this state asset is low. The site values the ongoing appropriations for fixed costs as well as operating expenses in staffing – as noted in the proposed budget for the biennium.</p>

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Summary of Projections (rounded)	FY 2011-12 Actual	FY 2012-13 Budget	FY 2013-14 Projection	FY 2014-15 Projection	FY 2015-16 Projection	FY 2016-17 Projection	FY 2017-18 Projection	FY 11-12 Actual%	FY 12-13 Budget%	FY 13-14 %	FY 14-15 %	FY 15-16 %	FY 16-17 %	FY 17-18 %
Total Attendance	62,232	52,000	65,000	85,000	90,000	90,000	95,000							
Revenues														
Admissions	\$506,253	\$352,000	\$510,000	\$747,000	\$801,500	\$801,500	\$848,000	10.0%	8.1%	10.8%	14.2%	14.8%	14.5%	15.1%
Retail Sales	\$201,152	\$233,000	\$247,000	\$306,000	\$328,500	\$333,000	\$351,500	4.0%	5.4%	5.2%	5.8%	6.0%	6.0%	6.3%
Cafe Concession/Rental	\$35,260	\$35,000	\$35,000	\$45,000	\$45,000	\$45,000	\$45,000	0.7%	0.8%	0.7%	0.9%	0.8%	0.8%	0.8%
Rentals	\$32,640	\$97,000	\$175,500	\$188,955	\$202,878	\$217,282	\$232,182	0.6%	2.2%	3.7%	3.6%	3.7%	3.9%	4.1%
Membership	\$113,350	\$101,000	\$114,000	\$150,000	\$151,500	\$153,000	\$154,500	2.2%	2.3%	2.4%	2.8%	2.8%	2.8%	2.8%
Public and Educational Programs	\$71,133	\$25,000	\$40,000	\$70,000	\$75,000	\$80,000	\$85,000	1.4%	0.6%	0.8%	1.3%	1.4%	1.4%	1.5%
Fundraising Events	\$36,150	\$15,000	\$30,000	\$65,000	\$65,000	\$65,000	\$65,000	0.7%	0.3%	0.6%	1.2%	1.2%	1.2%	1.2%
Other Earned	\$43,274	\$46,000	\$50,000	\$70,000	\$70,000	\$70,000	\$70,000	0.9%	1.1%	1.1%	1.3%	1.3%	1.3%	1.2%
Donations/Sponsorships	\$390,507	\$318,000	\$400,000	\$500,000	\$550,000	\$600,000	\$600,000	7.7%	7.3%	8.5%	9.5%	10.1%	10.9%	10.7%
Endowment Income	\$285,948	\$233,000	\$250,000	\$260,000	\$270,000	\$280,000	\$290,000	5.7%	5.4%	5.3%	4.9%	5.0%	5.1%	5.2%
State Governmental Support	\$3,337,140	\$2,874,000	\$2,874,000	\$2,874,000	\$2,874,000	\$2,874,000	\$2,874,000	66.0%	66.4%	60.8%	54.5%	52.9%	52.1%	51.2%
Total Revenue	\$5,052,807	\$4,329,000	\$4,725,500	\$5,275,955	\$5,433,378	\$5,518,782	\$5,615,182	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses														
Salaries, Wages, Benefits	\$3,227,277	\$2,365,000	\$2,650,000	\$2,900,000	\$2,950,000	\$3,000,000	\$3,050,000	65.5%	54.1%	56.3%	56.1%	56.0%	56.1%	56.2%
Occupancy	\$754,293	\$757,000	\$765,000	\$790,000	\$795,000	\$800,000	\$805,000	15.3%	17.3%	16.2%	15.3%	15.1%	15.0%	14.8%
Exhibitions	\$19,771	\$26,000	\$50,000	\$75,000	\$85,000	\$90,000	\$95,000	0.4%	0.6%	1.1%	1.5%	1.6%	1.7%	1.7%
Public and Educational Programs	\$77,588	\$141,000	\$80,000	\$105,000	\$112,500	\$120,000	\$127,500	1.6%	3.2%	1.7%	2.0%	2.1%	2.2%	2.3%
Collections Care	\$3,474	\$3,000	\$4,000	\$4,500	\$4,500	\$5,000	\$5,000	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Cost of Development/Fundraising	\$41,266	\$79,000	\$103,200	\$135,600	\$147,600	\$159,600	\$159,600	0.8%	1.8%	2.2%	2.6%	2.8%	3.0%	2.9%
General & Administrative	\$126,331	\$149,000	\$172,250	\$188,500	\$191,750	\$195,000	\$198,250	2.6%	3.4%	3.7%	3.6%	3.6%	3.6%	3.7%
Marketing	\$116,758	\$174,000	\$200,000	\$250,000	\$250,000	\$250,000	\$250,000	2.4%	4.0%	4.2%	4.8%	4.7%	4.7%	4.6%
Retail Cost of Goods Sold	\$99,661	\$126,000	\$133,380	\$165,240	\$177,390	\$179,820	\$189,810	2.0%	2.9%	2.8%	3.2%	3.4%	3.4%	3.5%
Other Costs	\$459,264	\$551,000	\$551,000	\$551,000	\$551,000	\$551,000	\$551,000	9.3%	12.6%	11.7%	10.7%	10.5%	10.3%	10.1%
Total Expenses	\$4,925,683	\$4,371,000	\$4,708,830	\$5,164,840	\$5,264,740	\$5,350,420	\$5,431,160	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Potential Additional State Reduction in Funding, if Necessary, to Allow Tryon Palace to Break Even			* \$16,670	\$111,115	\$168,638	\$168,362	\$184,022							





Governor's Budget Recommendation includes \$500,000 in restoration for 12 current staff + benefits, and increase of \$135K for utility bills and property insurance; * *Proforma* shows a reduction in appropriations over time

NORTH CAROLINA TRANSPORTATION MUSEUM

- Located in Spencer, NC on I-85 corridor
- Covers 57 acres
- Achieves 80K visitation
- Includes
 - * Roundhouse
 - * Backshop
 - * Visitor Center
 - * Mechanics Building
 - * Preservation shops
- Offers rides on trains, roundhouse and features Thomas the Train annually



NCTM business plan addressed the components requested

1 Objectives	Summary of Responses – Basic Scenario
 Include revenue & expenditure projections	<div> REVENUE increased assumptions <ul style="list-style-type: none"> • Admissions – pricing changes • Private Rentals • Concessions • Train Ride • Temp Exhibits • Gift Shop • Fundraising – focused effort </div> <div> EXPENSES – increased assumptions <ul style="list-style-type: none"> • Staffing – to cover more programs • Exhibits – to offer more value • Educational Programs – to offer more value • Marketing – to promote site • Repairs & Renovation – to sustain and/or to improve the site </div>
 Propose reductions in expenditures	<ul style="list-style-type: none"> • Offers Reductions in Rail Operations and Marketing
 Develop non-State sources of funding	Foundation Support Corporate Sponsorship Rental income from Corporate Events, Fundraising, Private rentals, Hosted events
 Include feasibility of privatization	<p>DCR and The Foundation recognize that the likelihood of total privatization of this state asset is low due to the need for state appropriations to cover fixed costs as well as repair and renovations. The current organizational structure is not effective with dual management. DCR plans to facilitate the development of a final recommendation to move toward the long-term vision.</p>

EXECUTIVE SUMMARY - BASIC SCENARIO

REPAIRS, RESTORATION AND EXPANSION INVESTMENTS				
	Total Cost	% of Total	Square Footage (SF)	\$ per SF
Critical Deferred Site Maintenance and Repairs/Restorations				
Highest Priority	\$1,241,000	30.7%	211,017	\$5.88
Medium Priority	\$1,495,000	36.9%	211,017	\$7.08
Low Priority	\$498,000	12.3%	211,017	\$2.36
Subtotal	\$3,234,000	79.9%	211,017	\$15.33
Existing Exhibit Improvements Required				
Single Time Exhibit Improvements	\$289,075	7.1%	211,017	\$1.37
Move Orientation to Master Mechanics	\$50,000	1.2%	3,500	\$14.29
Streamable Layer of Interpretation	\$50,000	1.2%	1,000	\$50.00
Subtotal	\$100,000	2.5%	4,500	\$22.22
Other Site/Visitor-Related Improvements				
Improved Wayfinding Signage	\$35,000	0.9%	200	\$175.00
Volunteer Lounge	\$20,000	0.5%	500	\$40.00
Subtotal	\$55,000	1.4%	700	\$78.57
Contingency (10%)	\$368,000	9.1%	216,217	\$1.70
TOTAL - ALL RECOMMENDED INVESTMENTS	\$4,046,075	100.0%	216,217	\$18.71
Creation of Special Event Spaces (Indoor)	\$0	0.0%	5,000	\$0.00
PERMANENT/TAKEOUT FINANCING				
Private Equity Sources (e.g., Individuals)	\$4,046,075	100.0%		
Federal Grants	\$0	0.0%		
Individual Corporate Sponsorships	\$0	0.0%		
Future Equity Needs (Fundraising, Grants)	\$0	0.0%		
Total Equity/Grant Funds	\$4,046,075	100.0%		
Debt Guaranteed for NCTM	-	0.0%		
Private Market Debt	-	0.0%		
Total Debt Financing	-	0.0%		
TOTAL FINANCING	\$4,046,075	100.0%		

	Fiscal Year (Ending 6/30/YY)				
	2014 1	2015 2	2016 3	2017 4	2018 5
ATTENDANCE					
Paid Admissions	64,515	68,310	71,346	75,141	75,141
Unpaid Admissions	20,485	21,690	22,654	23,859	23,859
Annual Attendance:	85,000	90,000	94,000	99,000	99,000
REVENUES					
Museum Admissions	\$283,200	\$337,500	\$458,000	\$550,000	\$550,000
Private Event Rentals	\$8,000	\$8,000	\$22,000	\$34,000	\$34,000
Concessions	\$7,000	\$8,000	\$9,000	\$11,000	\$11,000
Special/Temporary Exhibits	\$0	\$0	\$28,000	\$40,000	\$40,000
Programs	\$2,000	\$3,000	\$7,000	\$7,000	\$7,000
NCTM Hosted Events/Activities	\$984,850	\$975,850	\$976,850	\$977,850	\$978,850
Daily Train Ride	\$135,000	\$143,000	\$151,000	\$159,000	\$159,000
Gift Shop	\$339,000	\$373,000	\$429,000	\$450,000	\$450,000
Fundraising	\$191,000	\$202,000	\$284,000	\$364,000	\$361,000
TOTAL REVENUES	\$1,950,050	\$2,050,350	\$2,364,850	\$2,592,850	\$2,590,850
% Change		5.1%	15.3%	9.6%	-0.1%
COST OF GOODS SOLD					
NCTM Hosted Events/Activities	\$100,000	\$103,000	\$104,000	\$102,000	\$103,000
Gift Shop	\$186,000	\$197,000	\$220,000	\$224,000	\$224,000
Other (includes museum, rail oper. and fun)	\$14,000	\$23,000	\$23,000	\$29,000	\$29,000
TOTAL COGS	\$300,000	\$314,000	\$347,000	\$355,000	\$356,000
GROSS MARGIN					
% of Total Revenues	85%	85%	85%	86%	86%
OPERATING EXPENSES					
Salaries and Wages	\$676,000	\$783,900	\$897,000	\$924,000	\$924,000
Employee Benefits	\$120,800	\$139,500	\$160,000	\$164,000	\$164,000
Rail Operations	\$336,000	\$316,000	\$302,000	\$294,000	\$294,000
General & Administrative	\$148,000	\$151,000	\$181,000	\$198,000	\$198,000
Marketing	\$100,000	\$96,000	\$94,000	\$91,000	\$91,000
Utilities	\$98,000	\$101,000	\$107,000	\$112,000	\$112,000
Insurance	\$40,000	\$41,000	\$48,000	\$54,000	\$53,000
Cleaning & Refuse	\$16,000	\$16,000	\$17,000	\$18,000	\$18,000
Repairs & Maintenance	\$174,000	\$176,000	\$186,000	\$193,000	\$193,000
Contingency	\$0	\$0	\$0	\$0	\$0
Other	\$263,000	\$253,000	\$253,000	\$249,000	\$249,000
TOTAL OPERATING EXPENSES	\$1,971,800	\$2,073,400	\$2,245,000	\$2,297,000	\$2,296,000

EBITDA	(\$321,750)	(\$337,050)	(\$227,150)	(\$59,150)	(\$61,150)
Reserve for Repl. of Capital Equip.	\$41,000	\$42,000	\$49,000	\$81,000	\$81,000
NET CASH FLOW FOR DISTRIBUTION	(\$362,750)	(\$379,050)	(\$276,150)	(\$140,150)	(\$142,150)
REQUIRED STATE APPROPRIATION (1)	\$362,750	\$379,050	\$295,200	\$302,200	\$302,200
% of Annual Revenues	18.6%	18.5%	12.5%	11.7%	11.7%

Note: EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization.

(1) Equals annual facility staff payroll plus repairs and maintenance less any positive gross cash flows.

**Governor's budget recommends \$300K
in state appropriation for biennium**

2 Executive Summary – Long Term Vision and Key Findings





























- Strengthen MoA for a Private – Public Partnership
- Consider State Appropriations for fixed costs of site and operating expenses that decline overtime
- Maintain administrative support by DCR for oversight and collaborative efforts
- Facilitate among support groups including Friends, Commission, Foundations Non-Profits etc.

Key Findings






























- Offers historical, economic, and educational value
- Requires foundational level of state funding to maintain and preserve the state as a valuable asset
- Has potential for revenue growth that could support state appropriation reduction over time
- Supports private-public model, but full privatization does not make sense at this time
- Demands an increase in visitation for success
- Requires greater flexibility to increase levels of non-state support

2 Executive Summary - Accomplishments to date

➡ Moving in the right direction ➡

TODAY: Other sources of funding			
Corporate sponsorship			
Weddings		NA	
Photography			
Performances/Movies		NA	
Children's hands on attractions			
Corporate events			
Ecotourism			
Serving as a movie site			
Groups – boys/girls scouts etc			



POTENTIAL: Sources of funding			
Corporate sponsorship			
Weddings			
Photography			
Performances/Movies		NA	
Children's hands on attractions			
Corporate events			
Ecotourism			
Serving as a movie site			
Groups – boys/girls scouts etc			



Strategy

- Coordinate development of vision, mission and goals among all stakeholders through strategic work sessions
- Strengthen Memorandum of Agreement (MoA) that articulate overall leadership roles and responsibilities, accountability and authority among all stakeholders

Finance

- Create transparency among all stakeholders

HR

- Improve upon performance goals and measurements of success
- Create new organizational structure and select new leadership

Marketing

- Build upon brand strategy
- Develop cross marketing opportunities within DCR and articulate DCR's support services
- Create long-term pricing strategies
- Build more promotions

Legal

- Identify changes that require legislation